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Carnegie Foundation for the Advancement...

A report to the trustees of the Carnegie Foundation...

[Boston]

[1917]

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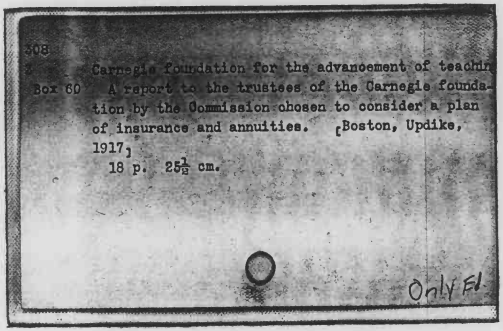

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A REPORT TO THE TRUSTEES OF THE CARNEGIE FOUNDATION

BY THE COMMISSION CHOSEN TO CONSIDER A PLAN OF INSURANCE AND ANNUITIES

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Box 60

Jan. 31, 1919 AET

REPORT OF THE COMMISSION UPON THE PROPOSED PLAN OF INSURANCE AND ANNUITIES

To the Trustees of the Carnegie Foundation:

THE Trustees of the Foundation at their eleventh annual meeting on November 15, 1916, passed the following resolutions concerning the Report of the President of the Foundation, entitled "A Comprehensive Plan of Insurance and Annuities:"

Resolved: That, for the information of the trustees, the proposed new pension plan be referred for study and report to a special commission of eleven, to consist of

Six trustees, to be designated by the chairman, including the chairman and the president;

Two members to be appointed by the president of the American Association of University Professors;

One member to be appointed by the president of the Association of American Universities;

One member to be appointed by the president of the National Association of State Universities;

One member to be appointed by the president of the Association of American Colleges.

Resolved: That the executive committee have authority to arrange for the necessary expenses of such commission, and for such expert assistance and advice as it may need.

The members of the Commission as designated by the authorities named above are as follows:

From the Carnegie Foundation:	WILLIAM H. CRAWFORD
	SAMUEL B. MCCORMICK
	SIR WILLIAM PETERSON
	HENRY S. PRITCHETT
	WILLIAM F. SLOCUM
	CHARLES R. VAN HISE
From the American Association of University Professors:	WALTER W. COOK
	HENRY L. RIETZ
From the Association of American Universities:	FRANK J. GOODNOW
From the National Association of State Universities:	CLYDE A. DUNIWAY
From the Association of American Colleges:	DONALD J. COWLING

Meetings of the Commission were held in New York on the twenty-seventh, twenty-eighth, and twenty-ninth of December, 1916; in Chi-

cago on February 9, 1917, and in New York on April 27, 1917. At the first meeting all members were present except Professor Cook, whose duties as president of the Association of American Law Schools required his presence elsewhere. At the second meeting all members were present. At the third meeting all members were present except President Van Hise, who was detained by obligations which could not be deferred.

At the first session of the Commission it was voted that President William F. Slocum be invited to preside.

It was likewise voted that the Secretary of the Foundation be requested to act as secretary.

At the first session of the Commission the President of the Foundation was asked to outline the course of the Foundation from its inception, its relations to other institutions founded by Mr. Carnegie, to describe the nature of the actuarial computations which had been made, and to indicate the process by which the question of revision of the present plan of retiring allowances had arisen.

The discussion which ensued touched upon every phase of the development of the pension system, the need for contractual security to the man or woman entering the teaching profession, and the possibility of the extension of some form of old-age annuities to the general body of teachers now entering the profession.

The actuarial studies were explained at length by Mr. Samuel S. Hall, Associate Actuary of the Mutual Life Insurance Company.

These computations, the assumptions upon which they rest, and the results to which they point, may be briefly summarized as follows:

In June, 1911, there were in the colleges and universities associated with the Foundation 4453 male teachers below the age of retirement, who would be entitled to retiring allowances if they continued in teaching in an associated college to age sixty-five. The distribution of these teachers as to age is shown in the following table:

MALE TEACHERS IN ASSOCIATED INSTITUTIONS

Age	*Number*	*Per cent of Total*
20-24	86	1.9
25-29	575	12.9
30-34	894	20.1
35-39	904	20.3
40-44	715	16.1
45-49	550	12.4
50-54	359	8.1
55-59	211	4.7
60-64	159	3.5
Total	4453	100.0

The striking fact which this table brings out is the preponderance of young men in our colleges and universities. Forty per cent of these teachers were in their thirties. The figures indicate, moreover, that between the ages of twenty and thirty-five they are recruited rapidly, and that after thirty-five they are recruited slowly. A life table was, therefore, constructed beginning at age thirty-five.

In order to do this the following assumptions were made:

1. That the number of male teachers in these institutions at the ages 35-64 remains for a generation at precisely its present number, 2898.

2. That none of these 2898 resign—withdrawals from the group occurring only by death or by survival to the age of sixty-five.

3. That deaths occur in this group at various ages, according to the McClintock Mortality Table.

4. That as each withdrawal occurs, either by death or by reaching age sixty-five, a new member enters the group either by appointment or by survival from among the younger teachers, but in either case, at exactly thirty-five years of age.

On these assumptions these 2898 teachers a generation hence would be distributed in the various age groups as follows:

Age Period	*Present Distribution*	*Distribution in a Stationary Population*	*Excess in Present Distribution*	*Excess in Stationary Population*
35-39	904	570	334	—
40-44	715	540	175	—
45-49	550	509	41	—
50-54	359	473	—	114
55-59	211	430	—	219
60-64	159	376	—	217
Total	2898	2898	550	550

The preceding table shows not only the great preponderance of young men at present, but also how different the age distribution would be in a stationary population; that is, one in which for a generation the annual births have exactly balanced the deaths, or in this case, the accessions have exactly balanced the withdrawals.

In order to get an approximation to the probable future number of annuitants the figures for each age were readjusted to conform to these conditions in such a stationary or life table population. The following table will show the distribution according to such an assumption as compared with the present distribution:

Year of Age	*Present Distribution*	*Distribution in a Stationary Population*
35	178	116
36	200	115
37	183	114
38	189	113
39	154	112
40	161	110
41	147	109
42	158	108
43	129	107
44	120	106
45	130	105
46	121	103
47	113	102
48	93	100
49	93	99
50	68	98
51	84	96
52	78	95
53	68	93
54	61	91
55	50	90
56	48	88
57	32	86
58	32	84
59	49	82
60	50	80
61	35	78
62	30	75
63	22	73
64	22	70

Having made these assumptions with regard to distribution, assuming also that the average pension will remain as at present, assuming also that all men would retire at sixty-five, the annual cost of maintaining the pensions would ultimately amount to $1,753,073. Should, on the other hand, retirement take place at the average of sixty-nine, the other conditions remaining the same, the annual cost would amount to $1,082,725. When to these figures are added the estimated sums necessary to care for the pensions of female teachers and for the pensions of widows, the annual cost, on the assumption that retirement takes place promptly at sixty-five, would be $2,226,422; the corresponding amount assuming retirement at sixty-nine would be $1,375,060. The average age of retirement in the associated colleges during the eleven years of the Foundation's history is 67.5; the average age of retirement of the teachers outside of the associated colleges to whom pensions have been granted as individuals is 70.

The uncertainties involved in the assumptions upon which these calculations rest are very great. It is probably safe to assume that the pensions accruing from the present group of associated institutions would at the end of a generation develop an annual load somewhere between these limits, if the institutions should on the whole be maintained without growth.

The cost of the retiring allowance system in these institutions for the year ending September 30, 1916, was $570,214.23. The income of the Foundation available for its pension system was, for the same period, $800,322.84. In order, therefore, to carry the estimated load for the present group of colleges a generation hence, the annual income of the Foundation would need to be increased during that period by perhaps one million dollars, without providing for much if any growth. If we assume that this were done, it would still leave the problem of an adequate pension system for college teachers at the end of a generation exactly where it is now. That is to say, any pension system supported from a fixed income is a continually growing load which in the end will be too heavy for any fixed source of support. The Report of the President of the Foundation called attention to other weaknesses than that of this ever increasing load, but, aside from such considerations, it is clear that no solution of this matter can be regarded as permanent or

as satisfactory for the general body of teachers in the United States and Canada which involves a constantly growing obligation dependent on a limited source.

The Commission unanimously adopted the following resolutions:

Voted: Referring to the resolution of the Board of Trustees of the Carnegie Foundation, adopted in November, 1915, that "whatever plan is finally adopted will be devised with scrupulous regard to the privileges and expectations which have been created under existing rules," this Commission expresses the opinion that the extension to all teachers at present in the associated institutions of the privilege of continuing in the present system would completely meet all their reasonable expectations. The Commission assumes that the Trustees of the Carnegie Foundation will in due time announce a date after which the privileges and expectations of the present system will not be available to those newly entering upon the profession of teaching.

Voted: That the Trustees of the Carnegie Foundation be requested to give all possible consideration to the needs of the older teachers in institutions which are not yet, but may later be, associated with the Foundation.

Voted: The Commission does not know the extent to which assistance can be obtained outside the present funds of the Foundation, but it is acting on the expectation of substantial assistance in carrying a large but limited load, and with the further understanding that adequate assistance cannot be obtained to carry the ever increasing pension burden without calling upon institutions and individual teachers to bear a share.

Following the adoption of these resolutions, the Commission discussed at length the requisites of a satisfactory pension system. It was agreed that such a system to be permanent must bear some moderate ratio to the salary cost, that the load imposed must be relatively constant, and that it must secure to the individual teacher complete security combined with a large measure of freedom.

It is universally recognized that a pension system, like an insurance system, is an effort to meet by coöperation certain economic needs which many members of the existing social order are unable to satisfy as individuals. The needs themselves and the occasion for coöperation arise out of the modern industrial and vocational organization of society. Under this régime large groups of men must support their families upon annual wages or salaries limited in amount. Such limitation involves the risk of dependence, either for the head of the family, or for those dependent upon him. To teachers, who as a class live upon modest salaries, but who have, nevertheless, secure tenure of place, three such risks are of primary importance: That of premature death of the teacher, with the consequent dependence of his family; that of the failure of income-earning power due to old age, or a similar failure due to disability, either of which may bring dependence both to the teacher and to his family.

After a discussion of the feasible and desirable methods by which a pension system may be employed by the teacher to defend himself and his family against the last two risks, the Commission by unanimous vote took the following action:

Voted: That the following be recommended to the Trustees of the Carnegie Foundation as the fundamental principles of a sound pension system for teachers:

I

1. The function of a pension system is to secure to the individual who participates in it protection against the risk of dependence due to old age or to disability.
2. The obligation to secure this protection for himself and for his family rests first upon the individual. This is one of the primary obligations of the existing social order. Society has done its best for the individual when it provides the machinery by which he may obtain this protection at a cost within his reasonable ability to pay.
3. Men either on salary or on wages, are, in the economic sense, employees. The employer, whether a government, a corporation, or an individual, has a direct financial interest in the establishment of some pension system which shall enable old or disabled employees to retire under satisfactory conditions. In addition, society demands to-day that the employer assume some part in the moral and social betterment of his employees. The obligation of the employer to coöperate in sustaining a pension system is primarily a financial one, and in the second place, a moral one.
4. A pension system designed for any group of industrial or vocational workers should rest upon the coöperation of employee and employer.
5. Teachers' pensions should be stipendiary in character, amounting to a fair proportion of the active pay.

II

1. In actuarial terms a pension is a deferred annuity upon the life of one or more individuals, payable upon the fulfilment of certain conditions.
2. In order that an individual participating in a pension system may be assured of his

annuity when due, one condition is indispensable: There must be set aside, year by year, the reserve necessary, with its accumulated interest, to provide the annuity at the age agreed upon. On no other conditions can the participator obtain a satisfactory contract. The man of thirty who participates in a pension plan under which he expects an annuity thirty-five or forty years in the future will take some risk of disappointment in accepting any arrangement less secure than a contractual one.

3. A pension system conducted upon the actuarial basis of setting aside, year by year, the necessary reserve is the only pension system whose cost can be accurately estimated in advance.

4. A method by which a pension is paid for in advance in annual or monthly instalments is the most practical plan which can be devised for purchasing a deferred annuity, provided that the contributions begin early in the employee's career, and provided also that the contributions paid in year by year receive the benefit of the current interest for safe investments.

5. As a matter of practical administration, a pension system should apply to a group whose members live under comparable financial and economic conditions. To attain its full purpose, participation in the pension system to the extent of an agreed minimum should form a condition of entering the service or employment the members of which are coöperating in the pension system.

President Duniway, on the part of the National Association of State Universities, brought to the attention of the Commission certain difficulties which, in his judgment, might arise in the case of some state institutions in coöperating in a plan of annuities supported by the joint contributions of the teacher and his institution. After a discussion of this matter the following resolution was adopted:

Voted: That the following memorandum, presented by President Duniway, be transmitted to the Trustees of the Carnegie Foundation for their consideration.

In state-supported institutions of higher education whose standards are in conformity with the rules of the Foundation, such institutions may be admitted to the benefit of the new system, either by the assumption of institutional responsibility for contributions equal to those which would have to be made by the members of its faculty; or by official action of the Governing Board of the institution approving the principle of institutional contribution, but necessarily postponing such institutional contribution until appropriations, from whatever source, can be had for the purpose, in conformity with law—meanwhile recommending and permitting the eligible faculty as a group, to carry the entire burden of necessary contribution for themselves and on behalf of the institution.

The Commission then took up the question, What sort of machinery is necessary in order to carry out by coöperation a sound pension system which shall afford to the participant the security of a contract?

The Commission discussed this matter from the point of view of the Foundation, of the teacher, and of the college. The scope and function of the Carnegie Foundation are set forth in its charter. It has at present an endowment whose income may be used for payment of pensions, or for other purposes which the trustees may consider desirable for the advancement of teaching. If the suggestions of this Commission are accepted, this income, for a generation or more, will be absorbed in the payment of retiring allowances to the teachers of the associated institutions. It has been proposed that as the list of associated colleges is increased the Foundation should expend an increasing amount in the payment of disability pensions. Should such pensions begin, as is customary in European countries, after ten years of service, the load coming from disability allowances might at the end of a generation absorb a large proportion of the income of the Foundation. Whatever may be deemed by its trustees at that time to be the wisest use of its funds, it is clear that it will continue to use its income along lines analogous to those on which it now works. A foundation so chartered cannot undertake annuity contracts. The moment payments are accepted from individuals, and contracts for annuities are entered into, the agency accepting such moneys and writing such contracts must be organized under the insurance laws of some state, and must be subject to the constant supervision of the insurance department with respect to all details—such as capitalization, reserves, and forms of policies. If, therefore, teachers of the next generation are to have the certainty of a contract, some machinery must be created to carry this out in a legal way. The Carnegie Foundation cannot go into the insurance or into the annuity business. It could, however, control an agency thru ownership which did both of these things.

The Commission discussed the forms of organization suited to accomplish the purposes in view. These purposes are essentially the following—to set up the machinery under which the teacher may protect himself and his family from dependence, whether by his own death, or by old age, or by disability; to furnish to the teacher the security of a con-

tract, so that the man who enters upon the accumulation of an annuity at thirty may have a contract for its fulfilment at the agreed age; to afford these forms of protection in such manner as to leave to the teacher the utmost freedom of action, and to make his migration from one institution to another easy. Finally, whatever machinery is set up to accomplish these purposes should be operated at a cost within the reasonable ability of the teacher to pay.

With these facts in view there was laid before the Commission a provisional memorandum prepared under the direction of legal counsel with the advice and assistance of the Department of Insurance of the State of New York.

The memorandum describes a single insurance and annuity agency, which, in the opinion of the Insurance Department of New York, could accomplish the purposes set forth above. It would offer to the teacher during all of his active service the protection of insurance at net cost. It would accept his contributions toward an annuity, and when the time came, provide on definite terms for such annuity as he chose to take.

It will be clear from a reading of the memorandum that any agency set up to furnish annuities would also be empowered under the law to write insurance. It will be also clear that not only the financial stability of the organization but also its service to the teacher would be increased by writing both insurance and annuity contracts. The memorandum itself will also make plain the fact that a term insurance contract combined with an annuity contract forms a complete and satisfactory protection against death and dependency in old age, and that these two contracts mutually support each other.

This memorandum was taken up by the Commission section by section and discussed from every point of view. The committee adopted a number of changes, and at the conclusion of its discussion the following resolution was passed:

Voted: That a committee, consisting of Mr. Pritchett, Mr. Rietz, and Mr. Hall, be appointed to embody in the memorandum the changes and suggestions of the committee.

This work was accomplished in a session of the committee on the morning of February 10. The following memorandum is, therefore,

recommended to the Trustees of the Carnegie Foundation as a suitable basis for the constitution of an agency competent to deal with the problem of insurance and annuities upon a contractual basis.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION

This memorandum deals with the proposed form of a Teachers Insurance and Annuity Association (hereinafter called the Association) and with the form of the policies which the Association will issue. It is an abbreviation of the plan to be submitted for approval to the Superintendent of Insurance. The actual drafts of the charter and the policies have not been included, and no attempt has been made to insert any discussion of the legal questions arising in connection with the plan.

1. *Corporate Organization*

An Association will be organized under Section 70, subdivision 1, of the Insurance Law of the State of New York. The Association will have a capital of $500,000 ($400,000 in excess of the minimum required), and a surplus of $500,000 ($450,000 in excess of the minimum required), from which a deposit of $100,000 with the Superintendent of Insurance will be made by the Association, pursuant to Sections 16 and 71 of the Insurance Law.

The amount of the capital and surplus aggregating $1,000,000 will be provided thru the Carnegie Foundation for the Advancement of Teaching (hereinafter called the Foundation).

The entire capital stock will be owned by the Association. It will be provided in the charter of the Association or by an appropriate deed of trust, that the stock shall pay no dividends. These directors will be thirteen in number, according to the requirement of the statute. They will be selected with a view to giving the Association the benefit of the best financial and actuarial judgment, together with full representation of the body of policy-holders.

The by-laws of the Association will provide for a policy-holders' committee of five, with power to make a full annual investigation of the affairs of the Association and to report their findings and recommendations to the Association and the policy-holders. The expense of this investigation and report will be borne by the Association. The Actuarial Society of America has appointed a committee to pass upon the actuarial problems of the Association, and the American Institute of Actuaries has appointed a similar committee.

The entire overhead expense of the Association will be paid from the income of the capital and surplus and the accumulations thereon. If these are not sufficient for the purpose, the deficiency will be met by the Foundation. This will make it possi-

ble to furnish insurance at net cost and to eliminate all "loading." The business of the Association will be transacted without agents, and it is anticipated that the overhead expense will be light.

2. *Policies*

The Association will issue to college teachers two kinds of policy: (1) Policies of term insurance expiring at the age of sixty-five (or later, up to age seventy, at the option of the insured), designed to cover the risk of death prior to the assumed age of retirement. (2) Deferred annuity policies, under which the annuity payments will begin at age sixty-five (or later, at the option of the annuitant). The annuity policies are designed to provide against loss of income by the teacher and his wife due to retirement. Either insurance or annuity may be taken separately. Taken together the two policies afford protection against the two major risks of the teacher's career. The risk of disability will not at present be dealt with by the Association, but will be provided for by the Carnegie Foundation.

Term Insurance

Policies of term insurance expiring at age sixty-five (or later, up to age seventy, at the option of the insured) will be issued to individual teachers upon medical examination equivalent to "certification," or will be issued to all or substantially all of the teachers of a college applying as a group without medical examination. The policies issued upon medical examination will be limited to a maximum of $25,000 for each teacher, and policies issued to members of groups without medical examination will be limited to a maximum of $10,000 for each teacher. The premiums will be computed on the basis of the American Experience Table and 3½ per cent interest. There is every reason to believe that the Association will realize a higher rate of interest. The Association will not contract to give the insured under the term policies the advantage of profits accruing to it on account of this higher rate. It will, however, provide in its by-laws for a distribution of profits at the end of five-year periods in case the profits are in excess of what actuaries regard as necessary as addition to surplus. This return will be made in cash or in the form of a paid-up addition to the annuity (more fully described below). The offering of term insurance will be flexible, so that varying amounts may be carried at different times, if this is desired.

Deferred Annuity Policies

The Association will issue to college teachers deferred annuity policies in substantially the following form: The annuitant, or his college, or the two together, will contract to pay to the Association "level" premiums of a certain amount each year until the annuitant reaches his sixty-fifth year. The Association will contract to receive

these premiums and accumulate them with compound interest at such rate as the Association can procure upon them. The Association will contract that if the annuitant dies prior to age sixty-five, and while still a teacher, it will return to his executor or administrator the premiums which have been paid to the Association by the annuitant alone (or by the annuitant and his college), with compound interest at such rate as the Association has received on such premiums, but in no case exceeding 4½ per cent. The Association will contract that if the annuitant transfers to a non-associated institution or retires from the profession of teaching prior to age sixty-five, it will return to the annuitant the premiums which have been paid to the Association by the annuitant alone (or by the annuitant and his college), prior to his retirement, with compound interest at the rate of 3½ per cent; or, if he so desires, after having been a contributor for seven years, he may continue the annuity at his own expense. Should an annuitant transfer from one associated institution to another, there will be credited to him all of his contributions and those of his college on his account. The Association will further contract that if the annuitant reaches the age of sixty-five years without retiring, the Association will consider the entire fund from premiums on his annuity, accumulated with interest as explained above, as a single premium offered to the Association for the purchase of an annuity, computed on the basis of McClintock's Table and 4 per cent interest. In return for this premium the Association will pay to the annuitant an equivalent annuity beginning at age sixty-five, or such later age as the annuitant may elect. The annuitant may, at any time before the payment of the annuity begins, elect to have the annuity take any one of the four following forms:

(1) An annuity of a certain yearly amount, payable monthly to the annuitant during his life with no return to his estate after his death. (2) An annuity of a certain yearly amount payable monthly to the annuitant during his life with a guarantee that if the annuitant dies before he has received annuity payments equal in the aggregate to the sum paid for the purchase of the annuity, the Association will continue to pay the annuity to the executor, or to the administrator of the annuitant, until the total of all the payments made under the annuity is equal in the aggregate to the sum paid for the purchase of the annuity, or will make with the said executor or administrator an equivalent cash settlement properly discounted for the anticipation of payment. (3) An annuity of a certain yearly amount payable monthly to the annuitant teacher during his life, and if the wife of the annuitant teacher survives him, an annuity to the wife of half of the said amount during the remainder of her life. This form involves no payment to the estate of either the teacher or his wife. (4) An annuity of a certain yearly amount payable monthly to the annuitant teacher during his life, and, if the wife of the annuitant teacher survives him, an annuity to the wife of one-half the said amount during the remainder of her life, with a guarantee that if the annuitant teacher and his wife both die before they have received annuity payments equal in the aggregate to the sum paid for the purchase of the annuity, the Association will continue to pay the annuity to the executor or administrator of the

annuitant teacher if he survives his wife, or to the executor or administrator of the wife if she survives the annuitant teacher, until the total of all the payments made under the annuity is equal in the aggregate to the sum paid for the purchase of the annuity, or the Association will make with the said executor or administrator an equivalent cash settlement properly discounted for the anticipation of payments.

Owing to the reserve provisions of the New York Insurance Law, the Association will not contract that the annuitant will receive an annuity of any stated amount for the premium which he pays. Nor will it contract to compound his payments at any stated rate of interest, but only at such rate of interest as it can procure. Nevertheless, the Foundation will guarantee to the Association the receipt of at least 4½ per cent on the deferred annuity premiums to the age of retirement, and the policies will be accompanied by non-contractual statements setting forth this fact and showing the amount of annuity which can be procured in each of the four forms set forth above, by a given annual payment, compounded at 4½ per cent.

The principal business of the Association will be the issuance of term insurance and annuity policies of the kinds described above, with suitable flexibility, but it will, by its charter, be authorized to issue all the types of annuities and insurance upon life and health described in Section 70, subdivision 1, of the Insurance Law, including ordinary life and endowment policies.

In the practical establishment of such an agency subject to the insurance laws of the State of New York, various questions arise of great importance to the teachers, to their colleges, and to the Foundation. While the Commission does not undertake to offer suggestions with respect to all these questions, the following votes were adopted in the belief that the opinion of this Commission would be welcome to the Trustees of the Foundation in determining the settlement of some of them.

Voted: That in considering the terms of the memorandum of President Duniway proposed at the fifth session of the Commission on December 29, and which has been referred to the Trustees of the Foundation, the Commission would inquire whether the questions raised in this memorandum may not apply to endowed institutions as well as to tax-supported institutions.

Voted: It is recommended that the method by which institutions shall enter into participation in the proposed plan of insurance and annuities shall be by means of joint payment of premiums for annuities on the part of both the institution and the teacher. It is recognized, however, that some variations of this arrangement may be necessary to meet the exigencies of some colleges and universities.

Voted: It is the opinion of this Commission that the best interests of the teachers will be promoted if all members of each faculty contribute toward annuities, but that the decision in this matter should be left to the governing bodies of the various institutions. Participation in the insurance feature of the plan should be voluntary.

Voted: It is the judgment of this Commission that men migrating from institutions that are now associated with the Foundation should take with them their present expectations concerning retirement in case of transferring to institutions that are not now, but may later, become so associated.

Voted: It is the opinion of this Commission that in presenting the plan of insurance in detailed form, a number of variations in the arrangements for insurance be indicated so that a teacher may choose his insurance to terminate at such time, and in such combination with his annuity, as may best suit his individual circumstances.

Voted: With respect to disability pensions, the basis of these pensions or the definition of disability may vary all the way from "total and permanent" disability as understood by insurance companies that have a disability clause in their policies, to a much more liberal definition under which a man is regarded as disabled when he is physically or mentally disqualified to continue the profession of teaching. The Commission thinks that in devising a permanent pension system, the first thing to be aimed at is sufficiency of funds; and the definition of disability should be made with due regard to the funds available for the purpose of paying disability pensions. It is the sense of the Commission that as liberal definition as seems to be consistent with the funds available for this purpose is desirable.

Voted: The organization and operation of the Teachers Insurance and Annuity Association will be most effective if carried out as a stock company, but the ownership of the stock should be equally divided between the Carnegie Foundation and five trustees, three chosen by the American Association of University Professors, one by the Association of American Colleges, and one by the Canadian Universities. These stockholders shall choose a self-perpetuating board of thirteen trustees and transfer the stock to them.

Voted: It is the sense of the Commission that the facilities of the Teachers Insurance and Annuity Association should be open to teachers in all colleges, regardless of sectarian control or similar considerations.

Voted: All teachers having expectations under the present plan should be eligible to participation in such measure as they may deem expedient in the new plan.

Since the matters referred to this Commission seem to have been covered by the various resolutions and memoranda adopted at its different sessions, and since these taken together embrace such recommendations with respect to the plan of insurance annuities as the Commission feels

ready to make, the Commission considers that the work to which it had been invited is completed. It was, therefore

Voted: This Commission adopts as a whole and recommends to the Trustees of the Carnegie Foundation the plan of insurance and annuities set forth in the preceding resolutions and memoranda.

(*Signed*) WALTER W. COOK
DONALD J. COWLING
WILLIAM H. CRAWFORD
CLYDE A. DUNIWAY
FRANK J. GOODNOW
SAMUEL B. MCCORMICK
WILLIAM PETERSON
HENRY S. PRITCHETT
HENRY L. RIETZ
WILLIAM F. SLOCUM
CHARLES R. VAN HISE

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